

HOUSE BILL 2478
By Sargent

AN ACT to amend Tennessee Code Annotated, Section 67-2-102, relative to taxation on incomes derived by way of dividends from stock or by way of interest on bonds.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-2-102, is amended by designating the current language as subsection (a) and by adding the following new language, to be designated as subsection (b):

(b) Notwithstanding any provision of state law, rule or policy to the contrary, if a mutual fund distribution is taxed under the United States internal revenue code as a dividend for purposes of federal personal income taxation, then the state of Tennessee shall likewise deem such distribution to constitute a dividend for purposes of the income tax levied and collected pursuant to subsection (a); however, if a mutual fund distribution is taxed under the United States internal revenue code as a capital gain for purposes of federal personal income taxation, then under no circumstances shall the state of Tennessee deem such distribution to constitute a dividend or interest for purposes of the income tax levied and collected pursuant to subsection (a).

SECTION 2. This act shall take effect January 1, 2006, and shall apply to tax years beginning on or after such date.